

BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Treatment of Rate Incentives and
De Minimis Rate Increases for
Price Cap Purposes

Docket No. RM2014-3

REPLY COMMENTS OF PITNEY BOWES INC.

Pursuant to Order No. 1879, Pitney Bowes Inc. (Pitney Bowes) respectfully submits these reply comments in response to the initial comments filed by the Postal Service. For the reasons stated in its initial comments and below, Pitney Bowes: (1) recommends that the Commission clarify that the proposed treatment of deleted rate cells only applies to product transfers, (2) supports the proposed treatment of rate incentives that are not rates of general applicability, and (3) supports the Postal Service's request to increase the threshold for *de minimis* rate increases.

I. The Commission Should Clarify that Proposed Section 3010.24(d)(4) Applies Only to Product Transfers

There is broad-based support for applying proposed section 3010.23(d)(4) in the context of a product transfer. *See* Postal Service Comments at 7; NPPC Comments at 6; Joint Comments of NAPM, MMA, and AMEE at 2-3; Pitney Bowes Comments at 1-2 (proposing revised language). That consensus position is consistent with the Commission's intent to "codify" the treatment of deleted rate cells in connection with a product transfer. Order No. 1879 at 12.

Several parties requested that the Commission clarify that proposed section 3010.24(d)(4) does not affect the established treatment of pricing or mailing eligibility changes that have the effect of deleting rate cells under current section 3010.23(d). *See* Dkt. No. R2013-10, Order No.

1890 (Nov. 21, 2013) at 31-32; 39 C.F.R. § 3010.23(d); NPPC Comments at 6; Joint Comments of NAPM, MMA, and AMEE at 2-3; Pitney Bowes Comments at 1-2.

The Postal Service requests that the Commission delay the implementation of proposed section 3010.23(d)(4) pending its appeal of Order No. 1890. If the Commission clarifies that proposed section 3010.24(d)(4) only applies to product transfers the need for delay suggested by the Postal Service disappears because Order No. 1890 did not address the treatment of rate cells that were deleted due to product transfers.

II. The Proposed Treatment of Rate Incentives that are Not Rates of General Applicability is Appropriate and Consistent with the Weight of Commission Precedent

Proposed section 3010.24 clarifies that rate incentives that are not of general applicability must be treated similar to negotiated service agreements (NSAs) and excluded from price cap calculations. *See* Order No. 1879 at 11. This treatment ensures that mailers not eligible for an incentive do not suffer higher rates because of the incentive. This treatment is reasonable and equitable and is supported by numerous parties. *See* NPPC Comments at 2-3; Joint Comments of NAPM, MMA, and AMEE at 2; PostCom Comments at 3; Pitney Bowes Comments at 2-3. As noted in Pitney Bowes' initial comments, this treatment is also consistent with the weight of Commission precedent. *See* Pitney Bowes Comments at 2, n.2.

Only the Postal Service opposes the exclusion of rate incentives not of general applicability from the price cap calculations. *See* Postal Service Comments at 5. The Postal Services acknowledges that it may be “unfair to force mailers (who do not participate in a rate incentive) to fund rates for other mailers,” but argues that similar “cross funding is an inherent aspect of the price cap.” *Id.* This argument fails to recognize that rate incentives not of general applicability, by definition, exclude certain mailers on terms other than the “characteristics of the

mail to which the rate applies.” Order No. 1879 at 12 (citing proposed section 3010.1(g)). The Postal Service’s position is also inconsistent with its continued support for the exclusion of NSA volumes under existing section 3010.24(a). *See* Postal Service Comments at 6, n.9 and 10; 39 C.F.R. § 3010.24(a). The fact that an NSA may only apply to a single mailer is a distinction without a difference. The equitable interests are the same; it is unfair to require ineligible mailers to pay higher rates to recover revenues for rate incentives enjoyed by others.

III. The Threshold for *De Minimis* Rate Increases Should be Increased

Proposed section 3010.30 is intended to allow the Postal Service “to make very small rate increases without immediately calculating the annual limitation and banking unused rate authority.” Order No. 1879 at 14. Under the proposed rules any *de minimis* rate increases would have to be accounted for in the next rate adjustment. *See id.* As proposed, the cumulative effect of all rate increases under proposed section 3010.30 must be less than 0.001 percent for each class of mail. *See id.* The Postal Service observes that the 0.001 percent threshold will provide only a “negligible amount of flexibility” and requests that the *de minimis* rate increase threshold be increased to 0.05 percent. Postal Service Comments at 8, n.18. Pitney Bowes agrees. The Commission should increase the *de minimis* threshold as requested by the Postal Service. A modest increase in the *de minimis* threshold will afford the Postal Service additional pricing flexibility without harming any other interested party.

IV. CONCLUSION

Pitney Bowes appreciates the Commission's consideration of these comments.

Respectfully submitted:

/s/

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